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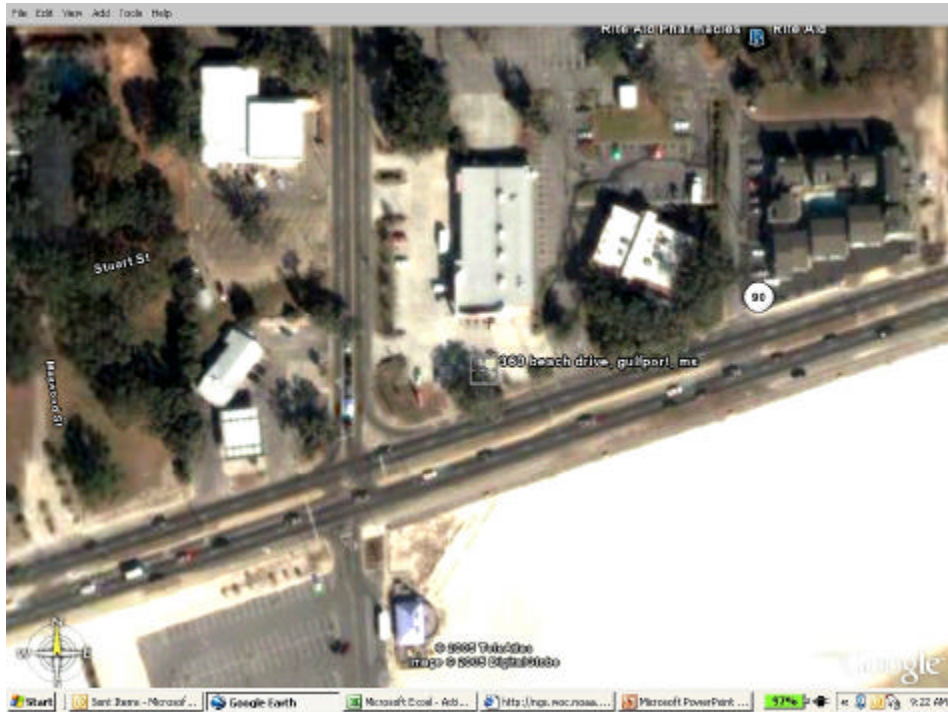
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**Lessons from Katrina
Building Robust Partnerships**

**Before the Little Hoover Commission
Thursday, February 23, 2006**

EXHIBIT A



Rite Aid Pharmacy Gulfport, MS before Katrina



Rite Aid Pharmacy Gulfport, MS after Katrina

EXHIBIT B



Looted Rite Aid Pharmacy in New Orleans, LA



Rite Aid Mobile Pharmacy EXHIBIT C

Katrina effort sets stage for retail pharmacy's finest hour.

By James Frederick, Drug Store News September 26, 2005

It may come to be remembered as community pharmacy's finest hour.

The devastation wrought by Hurricane Katrina brought out the best in chain and independent pharmacy. More than any single event in modern history, it showcased not only pharmacy's willingness to put professional considerations and the health needs of patients ahead of profits, but also the industry's ability to respond to disaster more rapidly and more effectively than any federal agency in the early days.

The event triggered a massive and coordinated campaign among chain and independent pharmacy operators that provided an "unprecedented level of cooperation" among competing companies, and among various elements of the pharmaceutical supply chain. It also triggered a rash of on-the-spot decision-making and volunteerism by suddenly empowered individual employees who worked within their communities to get not only medicines but also gas, oxygen and other needed supplies to areas with acute needs.

In the hours after Katrina spawned massive flooding in New Orleans and other Gulf State regions, pharmacy leaders from CVS, Walgreens, Wal-Mart, H-E-B, Rite Aid, Kroger Co., Albertson's, McKesson Corp., Cardinal Health and other companies swung into action. What followed was a logistical masterpiece: the movement of millions of dollars worth of desperately needed medicines and hundreds of pharmacy professionals rapidly to hundreds of evacuation centers and other acute-care sites, often through the deployment of mobile pharmacy worksites to overcrowded sites like the Houston Astrodome, Kelly Air Force Base and large-scale evacuation shelters in cities like Baton Rouge, La., San Antonio, Corpus Christi and Austin, Texas. And saving lives took precedence over competitive issues or financial considerations like reimbursement. "Community pharmacy was there on the ground servicing these customers," said Jon Roberts, senior vice president of store operations for CVS. "There's a move to push people to mail order, and we have said all along that patients need that face-to-face interaction with community pharmacy. There's a value there, and I think it was demonstrated extremely well in this situation."

Roberts noted that industry representatives decided early on to split the job among various chains "through a coordinated effort...location by location.

Roberts credited many players, including Cardinal Health and McKesson, both of which agreed to increase their delivery frequency to "multiple times throughout the day."

Roberts and others insisted that manufacturers and federal stockpiles not ship drugs directly to acute-need locations, but rather through the industry's "well-established distribution center" process to avoid chaos.

"Our distribution channel worked effectively in this state of crisis," Roberts said. Working with competitors, he added, "We shared pharmacists, and I had a couple of major [competing] retailers calling me at home trying to fine-tune some of the decisions around resources.

"It was unprecedented," Roberts added. "And the retailers on these calls were thinking first and foremost about taking care of these evacuees, and ensuring they had their medications."

“First and foremost, the concern and focus was, ‘How do we get appropriate medications to these evacuees who are in dire need as they leave the area on their own, or are displaced,” said David Vucurevich, vice president of pharmacy purchasing for Rite Aid. In Texas and LA, for instance, “over 250,000 people were displaced into shelters and in need of health care.

“Logistics were a huge issue in making sure we got product into the areas where it was needed, coordinating with our wholesalers, and right down to finding fuel for our own trucks to be able to get our vehicles into the areas of need,” Vucurevich added.

The pharmacy leaders who responded to the catastrophe “actually demonstrated more about the value of the community pharmacy infrastructure than anyone else could have explained in a lifetime,” said Larry Kocot, special assistant to Mark McClellan, administrator of the Centers for Medicare & Medicaid Services

Key to the coordinated response, chain pharmacy leaders agreed, was the leadership that Kocot and CMS provided. Directed by Health & Human Services Secretary Mike Leavitt to coordinate the movement of health products and services to the affected areas, Kocot served as a central contact point for pharmacy leaders who pitched in to help.

“It became very clear, early on in this crisis, that a lot of people were stepping up to do a lot of different things,” said the CMS official.

Initially, said Kocot, “There was a lot to do in a short period of time, and there wasn’t a lot of coordination on the ground.

“In the devastated areas, there were other concerns,” he explained. Rescue workers, he said, “were trying to pluck people off of rooftops and take them out of water, and find places for people to go and make sure they got essential services.”

Very quickly, however, the need for pharmacy services became acute. “On the pharmacy side, it became very clear that people were going to be sent to different places” where medical attention was being delivered. Voicing the Bush Administration’s guiding philosophy, Kocot added, “To the extent that the private sector can meet the needs of evacuees and residents, we should rely on the private sector.

“In an emergency, the infrastructure shouldn’t turn into a federal one. The federal government should supplement what the private sector can do. And in this instance, it was very clear that the community pharmacy infrastructure was very strong and deep into the communities,” Kocot said. “And to the extent that supply lines could stay open, there was no reason that community pharmacies couldn’t serve these residents.”

The industry quickly responded. “There are some real heroes in this industry right now,” said Kocot. “Through their efforts, and the support of their companies and their families, they worked 24/7 for two weeks straight. While everyone else was off on a long holiday weekend, these folks were on conference calls with us, coordinating things and making sure people were getting medications.

“Many of the pharmacies jumped in and decided to worry about payment later, and make their first priority saving lives by making sure people got the medications they needed.”

CVS, for instance, had a mobile pharmacy trailer up and running in the Houston Astrodome—which served as the first emergency shelter for a massive flood of evacuees—within hours of swinging into action. That pharmacy filled 10,000 prescriptions within the first couple of days.

Throughout the crisis, the supply chain held. “We have a phenomenal distribution system within the community pharmacy industry,” asserted Phil Burgess, national director of pharmacy affairs for Walgreen Co. “The wholesalers...stepped up to the

plate, and using the chain warehouses and the wholesalers' distribution systems, we were able to get drugs into these stores, where certainly in the initial days, other entities such as FEMA couldn't do that."

When the evacuees started flooding into Texas, locally based chains like H-E-B Foods/Drugs and national chains like CVS, Walgreens and Wal-Mart immediately swung into action. They sought—and quickly won—emergency rules from boards of pharmacy and government agencies in surrounding states "that gave us some latitude in helping the victims," according to Dennis Wiesner, director of customer and partner privacy information for H-E-B, by suspending regulations governing the processing of out-of-state prescriptions and other restrictions.

"We talked about suspending normal regulations and allowing the pharmacist to use professional judgment to dispense medications because the doctors...weren't around," said Bob Dufour, director of professional services for Wal-Mart pharmacies.

"We informed all of our locations—we have about 200 throughout [Texas]—that anybody coming from Louisiana, Mississippi or Alabama who had prescription needs, that we would accommodate that need on an emergency basis," said Wiesner. "We were able to allow our folks to use a lot of professional judgment," about when to dispense a script, even without a doctor's prescription or any means of payment by the patient.

H-E-B and CVS were also instrumental in setting up temporary pharmacies at Kelly Air Force Base in San Antonio, another major refugee center for people streaming out of New Orleans and other hard-hit coastal areas.

"In 36 hours, we essentially built a pharmacy inside the base, next to the medical unit," said Wiesner. While that pharmacy was under construction, scripts at the center were filled via fax by nearby H-E-B pharmacies, where scripts were filled and delivered back to the base several times a day.

"We were getting a little overwhelmed, and at that point we reached out to our friends at CVS and Walgreens," said Wiesner. Walgreens, he said, joined the effort by serving satellite shelters set up to house several hundred evacuees each, while CVS added pharmacy resources after several thousand more evacuees moved into San Antonio and Corpus Christi, Texas.

"The message I got out of all this is that, even though we're all friendly competitors, when it came down to the need that occurred, every single person stepped up immediately," said Wiesner. "It was obviously something that's never happened before. That's extremely rewarding to me."

At this point, "there is some stabilization occurring," he added, with temporary housing for more and more evacuees and "people getting more into the community, where we can actually serve them right at the point of service."

Independent pharmacy owners also joined the cause. "We had independent pharmacies in San Antonio that volunteered to help us, so we had a large number of independent pharmacists working right by our H-E-B pharmacists," said Wiesner.

Wal-Mart's Dufour knew what a Category Five hurricane could do before Katrina struck. While still at the NACDS Pharmacy Conference in San Diego, he began coordinating supply logistics with drug manufacturers, several of whom "agreed immediately" to "replace the medicine we were donating."

Dufour left the conference early and returned to his office. "I was in contact with the emergency operations centers in Baton Rouge and in Mississippi...asking them what we could do to help. They were in a true state of crisis," he said. All sides of the effort,

he said, “were working around the clock” to get teams of pharmacy staff and medicines to the areas with the most critical need.

Particularly hard-hit were four hospitals on Mississippi’s Gulf Coast. “They had been four days without food or water. In one hospital the roof was gone. In another hospital, there were four physicians that stayed behind...all the physicians were dead except for one of them.”

Among other emergency relief efforts provided by Wal-Mart was to get badly needed oxygen to those hospitals. “I called McKesson, and they were able to find some canisters,” said Dufour. The problem, he said, was getting the oxygen to the hospitals. Calling on a friend from Houston who worked for Air Products, Dufour swung into action. “We had a conference call at 1 in the morning with the governor’s office. We had four different companies that sold oxygen on the line with us, and we were able to coordinate a response where they had 18-wheelers heading to the hospitals by 3 o’clock in the morning.”

Stories like that one abound. In many cases, lives were saved by the personal initiative of individuals scrounging gas, transportation or other resources.

There were also plenty of examples of how the industry found innovative ways to overcome logistical challenges and work together for a more effective, coordinated response to the disaster. One way: to apportion the roughly 400 evacuation centers set up by the Red Cross among the various retail pharmacies, so that each center was served with emergency pharmacy services without duplication of effort. This “adopt a shelter” program was effective; said Dufour, “The cooperation was unbelievable.”

SureScripts, for its part, stepped in to provide a central clearinghouse for patient information. The goal: to provide doctors and pharmacists access to patient records for nearly one million evacuees, so they could be serviced wherever they were relocated. “Our role was to focus on getting a medication history for those patients” to the health professionals they dealt with, said SureScripts president Kevin Hutchinson, in scattered locations throughout the country.

Drug wholesalers, meanwhile, worked hand-in-hand with retailers and other agencies. In the early hours and days of the aftermath, McKesson sent helicopters loaded with medicines and medical-surgical supplies to hospitals, while employee volunteers loaded trucks with tons of medicine, medical-surgical supplies, food and water (and even pet food for dogs stranded at a New Orleans hospital), and drove them to hospital customers in the hardest hit sections of Louisiana and Mississippi.

Employees of Cardinal Health, which had a DC in nearby Jackson, Miss., worked through the weekend before the storm hit to get product out, and pushed medicines and surgical supplies through to temporary pharmacies and even the U.S. hospital ship Mercy.

“It’s been nothing short of an amazing process, getting product where it needed to be,” said Mark Parrish, head of drug distribution for Cardinal Health. “The existing supply chain was able to respond very promptly, and the manufacturing community has been great about getting additional product to us so that we could get it to our DCs through our national logistics center, and making sure the product was close to where the refugees needed it.”